

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0813-01
Bill No.: HB 248
Subject: Employees - Employers; Health Care; Labor Department; Workers Compensation
Type: Original
Date: February 18, 2015

Bill Summary: This proposal allows an employee who is injured on the job to select his or her own health care provider to cure and relieve the effects of the injury at the expense of the employer.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Other	(Unknown)	(Unknown)	(Unknown)
Second Injury	Unknown	Unknown	Unknown
Workers' Compensation Administration	Unknown	Unknown	Unknown
Colleges and Universities	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Other *	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds *	\$0	\$0	\$0

* Net of additional costs and revenue.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of General Services (OA)** assume this proposal allows injured workers to choose their own physician under their workers' compensation coverage. The health care provider plays many critical roles in the outcome of a workers' compensation case. In a study conducted by the Workers' Compensation Research institute it was found that if the employer is no longer allowed to direct the treatment the costs for the claim were generally higher and return-to-work outcomes poorer when the worker selected the provider. Our assumptions were based on a report issued by the Workers' Compensation Research Institute that conducted a study of workers' compensation costs in Illinois and Texas following their changes in law allowing an employee to choose their own physician for workers' compensation claims. The study showed that medicals costs rose between 7 and 29 percent. In FY '14 (Office of Administration's Central Accident Reporting Office) CARO's medical costs were \$18,967,300 and our indemnity costs were \$2,297,223. Using the range of 7 to 29 percent on medical costs and making an assumption that our indemnity costs would increase anywhere from 5 to 10 percent our annual estimated increase would be somewhere between 1.5 and 5.7 million dollars. OA officials used a 5% medical increase cost factor for the second and third years.

Officials from the **Missouri Department of Conservation** assume this proposal will result in an unknown negative fiscal impact but could be more than \$100,000 annually. Allowing employees to choose their own treating physicians could eliminate the price negotiating opportunity. The Office of Administration currently has contracted physicians for services the employer currently has the right to direct.

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

ASSUMPTION (continued)

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **City of Columbia (City)** estimate the proposal would increase medical cost anywhere from \$58,000 to \$120,000 per year and increase cost of additional total temporary disability benefits by \$32,000 per year.

Over the last five years, the City has averaged \$583,783 in medical benefits paid on behalf of its workers compensation program. We highlight paid, because the City's payments are reduced through use of the CompAlliance PPO network. These savings could diminish under an employee choice law. Average City savings over the last five years is 30%.

Officials from **St. Louis County** stated their organization uses a specific network of physicians and treatment providers which provides access to discounted rates. By allowing employees to choose their own provider, the County estimates that it could see costs increase by 20% - 40% per year. Based on current spending, this proposed legislation could cost St. Louis County an additional \$300,000 annually.

Officials from the **University of Missouri** assume this proposal would have a significant fiscal impact on their organization, and the cost could easily exceed \$100,000 per year.

Officials from the **University of Central Missouri** assume this proposal would not have a direct fiscal impact on their organization since their workers' compensation cases are administered by the state.

Officials from the **Metropolitan Community College** and the **Missouri Southern State University** assume this proposal would have a significant negative fiscal impact on their respective organizations.

Officials from the **Cole County Public School District** assume the proposal would result in a negative impact, although specific amounts are unclear.

Officials from the **Kansas City Public School District** cannot approximate the unfunded impact passage of the proposed legislation that it may have on the district. Impact may realistically exceed tens of millions of dollars of unfunded and mandated additional medical care expenditures not presently experienced.

ASSUMPTION (continued)

Officials from the **Special School District of St. Louis County** assume this proposal would result in an increase in medical expense for their organization. Estimated cost could potentially be \$250,000 - \$500,000 annually.

Officials from the **Joint Committee on Administrative Rules** state this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Department of Labor and Industrial Relations**, the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Transportation**, the **Platte County Board of Elections**, the **St. Louis County Directors of Elections**, the **City of Independence**, the **State Technical College of Missouri**, the **Missouri State University** and the **Missouri Western State University** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight assumes allowing workers the option to choose their own health care provider for a work-related injury would increase employer costs. Oversight has no information as to the relative costs of medical care among providers and will include a negative unknown additional cost for the care of state employees in the state General Revenue Fund, other state funds, and colleges and universities. Oversight assumes local governments would also have increased costs in their workers' compensation programs and will include those costs in this fiscal note.

Oversight assumes this proposal would result in additional costs for state programs with federal funding and assumes those additional costs would be offset by additional federal funding. Oversight will include the additional costs and revenue in this fiscal note.

Oversight notes that revenues for the Workers Compensation Administration Fund and the Second Injury Fund are based on surcharges on premiums on workers' compensation insurance premiums and the costs of employer paid workers' compensation programs. Although the amount and timing of the cost increases resulting from this proposal are uncertain, the increased costs for workers' compensation insurance premiums and employer paid programs would result in increased revenues to these funds. Oversight will include unknown additional revenues for those funds in this fiscal note.

FISCAL IMPACT - State Government

FY 2016
(10 Mo.)

FY 2017

FY 2018

GENERAL REVENUE FUND

Cost - OA

Additional medical cost in workers'
compensation cases

Section 287.140

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
GENERAL REVENUE FUND**

(Unknown)

(Unknown)

(Unknown)

SECOND INJURY FUND

Revenue - DOLIR

Surcharges on workers' compensation
program costs

Section 287.140

Unknown

Unknown

Unknown

**ESTIMATED NET EFFECT ON
SECOND INJURY FUND**

Unknown

Unknown

Unknown

**WORKERS' COMPENSATION
ADMINISTRATION FUND**

Revenue - DOLIR

Surcharges on workers' compensation
program costs

Section 287.140

Unknown

Unknown

Unknown

**ESTIMATED NET EFFECT ON
WORKERS' COMPENSATION
ADMINISTRATION FUND**

Unknown

Unknown

Unknown

FISCAL IMPACT - State Government
 (Continued)

FY 2015
 (10 Mo.)

FY 2016

FY 2017

OTHER STATE FUNDS

Cost - OA

Additional medical cost in workers'
 compensation cases

Section 287.140

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
 OTHER STATE FUNDS**

(Unknown)

(Unknown)

(Unknown)

COLLEGES AND UNIVERSITIES

Cost - Colleges and universities

Additional medical cost in workers'
 compensation cases

Section 287.140

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
 COLLEGES AND UNIVERSITIES**

(Unknown)

(Unknown)

(Unknown)

OTHER FEDERAL FUNDS

Additional revenues - OA

Funding for additional costs in workers'
 compensation cases.

Section 287.140

Unknown

Unknown

Unknown

Cost - OA

Additional medical cost in workers'
 compensation cases

Section 287.140

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON
 OTHER FEDERAL FUNDS**

\$0

\$0

\$0

FISCAL IMPACT - Local Government	FY 2016 (10 Mo.)	FY 2017	FY 2018
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LOCAL GOVERNMENTS

Cost - Local governments

Additional medical cost in workers'
compensation cases

Section 287.140	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS

<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses through additional costs for workers' compensation programs.

FISCAL DESCRIPTION

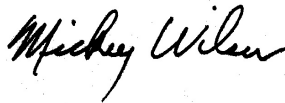
This bill allows an employee who is injured on the job to select his or her own health care provider to cure and relieve the effects of the injury at the expense of the employer. The employer may select the health care provider if no selection is made by the employee.

In a case where physical rehabilitation is offered and accepted or ordered by the Division of Workers' Compensation within the Department of Labor and Industrial Relations, the insurer or employer may select the physical rehabilitation provider if no selection is made by the employee.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Labor and Industrial Relations
Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
Department of Insurance, Financial Institutions and Professional Registration
Missouri Department of Conservation
Department of Transportation



Mickey Wilson, CPA
Director
February 18, 2015

Ross Strobe
Assistant Director
February 18, 2015